

USAID/Moldova
ANNUAL REPORT FY 2003

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A. Program Level Narrative

Program Performance Summary:

In the mid-1990s, Moldova made considerable progress in democratization and economic development, particularly in reforming the agricultural sector. While this transformation has generally continued on track and most of the population maintains support for the reform process, it has imposed many hardships on the Moldovan people. This led to popular dissatisfaction with the previous government, and to the victory of the Communist Party in the February 2001 elections.

The elections were certified by international observers as free and fair. The Communist Party won more than two-thirds of the seats in the Parliament and selected Party Chairman Vladimir Voronin as President. Lately, USAID and the U.S. Embassy have been encouraged by the government's efforts to maintain a strong working relationship with the USG despite initial concerns about Communist Party rhetoric and a number of anti-reform measures taken by the GOM. The GOM has continued to make progress on economic and market reforms. Since the election, President Voronin has proceeded with plans to privatize several important industries and the government has made a commitment to improve relations with the IMF and the World Bank and to comply with agreements negotiated in 2000 by the former government.

According to World Bank statistics, Moldova experienced the largest decline in gross domestic product (GDP) of any country in Europe and Central Asia. In 1999, Moldova's annual GDP per capita of \$370 was less than a quarter of its 1990 level. However, a reversal of this downward trend started in 2000 and progress has continued. Led by positive growth in agricultural production, Moldova will record its third consecutive year of positive GDP growth in 2002, with year-end real GDP growth predicted at 6 percent. Projections for the coming years give hope that economic growth will continue in the agriculture sector. Agriculture and small and medium-sized enterprise (SME) projects supported by USAID are improving the living standards of people in rural Moldova.

Agriculture is the mainstay of the economy. Nearly 50 percent of Moldovan GDP, 40 percent of employment and 65 percent of exports is related to agriculture (if agribusiness is included). More than half of country's population lives in rural areas and makes its living from agriculture related activities. USAID's strategy therefore concentrates on job creation, income generation, and economic opportunity in rural Moldova. USAID encourages growth through investment in agribusiness and improving the environment for private enterprise.

Beneficiaries: The principal beneficiaries of the USAID strategic assistance for Moldova are the working poor or the impoverished citizens that constitute the majority of the population, particularly in rural areas.

U.S. Interests and Goals: USAID assistance is focused on supporting private enterprise growth to create jobs and generate income; developing effective, responsive and accountable democratic institutions by strengthening local government autonomy and civil society; and helping create a social safety net to reach vulnerable groups.

USAID/Washington manages several activities including a Farmer-to-Farmer Agribusiness Volunteer Program (Citizens Network for Foreign Affairs), a loan portfolio guarantee program, a food industry development program (Louisiana State University), and customs information, trade and transport and energy programs.

The Bureau for Economic Growth, Agriculture, and Trade manages the Loan Portfolio Guarantee (LPG) program, a particular success in Moldova which assists micro-enterprises and small businesses on the basis of a risk sharing arrangement. This project started in July 2000 with three Moldovan financial institutions. USAID is guaranteeing 50 percent of the collateral requested by the banks. During the first two years of this program, nearly 600 loans have been made in the SME sector, totaling \$5 million. The U.S. Department of Agriculture administers a commodity monetization program that provides agricultural

land mortgage loans. Mortgage loans under this program, working through three financial institutions, total about \$1 million.

Donor Relations: Donor coordination is maintained through occasional meetings of all bilateral and multilateral donors at which the U.S. Ambassador and the USAID Country Program Coordinator represent the USG. The U.S. is the only major bilateral donor; however, Germany, the Netherlands, Japan, Great Britain and Sweden all have small bilateral programs. Further, the Soros Foundation and several other private organizations run development programs in Moldova. In addition to U.S. bilateral assistance, the other major players are the multilateral donors composed of the International Monetary Fund (economic policy), World Bank (economic policy, social investment fund, micro-projects at the village level and energy), European Union-Technical Assistance to the Commonwealth of Independent States (agricultural sector) and the International Fund for Agriculture Development (agriculture sector). The United Nations Development Program provides support for a number of separate activities.

Challenges: The key challenge for achieving economic growth is the fact that Moldova remains one of the poorest countries in the region. In 2001, per capita GDP was estimated at \$400 and poverty rates at 55-70 percent of the total population. Over 70 percent of the poor live in rural areas, and only 8 percent live in large cities. Some 800,000 Moldovans have left the country, most of them coming from the country side. Moldova's financial fragility makes it strongly dependent on external financing and/or debt rescheduling.

During 2002, USAID confronted significant challenges in implementing its activities under SO 3.4. First, the GOM, through its State Commission for Humanitarian Assistance, created unexpected hindrances in the work of Counterpart International, the implementer of the Community and Humanitarian Assistance (HA) Project (CHAP). Second, the implementation of Counterpart's Low Income Energy and Social Assistance Project (LIESAP) encountered difficulty with the Communist government's agenda. USAID's plans to propose alternatives to the currently used category-based system of social assistance were discussed with and agreed upon by the previous government. Nevertheless, USAID and its implementing partners achieved significant success. A steady flow of HA shipments was established and a significant contribution was made in reshaping the draft Law on Humanitarian Assistance and Material Reserves, which was proposed by the government in early 2002. Further, LIESAP has made substantial progress in educating the current government. The GOM has now expressed support and interest in USAID funded technical assistance to develop a better system for identifying those "truly in need" of an energy subsidy, based on means-testing.

Key Achievements: The agriculture production and processing industries are the most important sectors for Moldova. USAID continued to assist the agricultural production and distribution systems to develop a variety of small and medium-size agribusiness enterprises that link private farmers to newly created input supply structures, credit (aimed at creating a private agriculture infrastructure), and newly established market structures. USAID's November 2002 Mid-Term Evaluation of agriculture sector programs stated that, "Certainly the results being achieved are measurable and impressive."

For example, the Private Farmer Assistance Program (PFAP) has established a growing network of farm equipment Services Centers that provide a wide range of farm equipment services to farmers, improving efficiency and reducing cost per acre. PFAP supported the establishment of 10 Agricultural Producer's Associations that represent over 30 percent of the farmed land in Moldova and provide valuable marketing services, business technical support, and advocacy to private farmers.

The Private Farmer Commercialization Program (PFCP) has directly created more than 70 new full time and 200 new part-time jobs and leveraged program grants by attracting matching investments of 2.5:1. More importantly, these partnerships have created new and more lucrative markets for high-quality agricultural produce. For example, in its first harvest season, the Anturaj Controlled Atmosphere Refrigerated Storage facility enabled farmers to get prices for table-quality apples that were 5-6 times higher than they would have received from processors immediately at the end of the harvest season. PFCP has also supported the development of 60 Farm Stores to date throughout Moldova. These stores serve an average of 1000 private farmers, providing quality agricultural inputs, machinery, parts and

service, marketing assistance, training, and agronomist consultations. The number of farmers receiving services from Farm Stores and Farm Service Centers increased from about 240,000 in 2001 to about 380,000 (approximately 10 percent of the population) in 2002.

In the Energy Sector, USAID capacity-building and policy-development assistance supported the National Agency for Energy Regulation's (ANRE) handling of its first independent tariff review, following Union Fenosa's application for a 29.4 percent increase in tariffs.

During 2002, the Local Government Reform Project (LGRP) saw some first early "return on investment" for its efforts to introduce the practice of strategic planning to local governments across the Republic of Moldova. In a number of communities, the strategic planning process was successfully integrated into the budget process. The strategic planning enabled local councils to adopt budgets that addressed community priorities.

With USAID assistance in Fiscal Policy Reform, Moldova continues to make progress towards developing a viable free-market economy. USAID provided support to the GOM in establishing fiscal policies and fiscal management practices that are conducive to macro-economic stability and promote private sector development. Moldova will record its third consecutive year of positive GDP growth in 2002, with year-end real GDP growth predicted at 6 percent. This growth is impressive considering that since independence, Moldova recorded only one year of positive GDP growth. Equally impressive, the 2002 inflation rate is expected to be 8 percent. The budget deficit for 2002 is estimated to be 1.2 percent of GDP.

Gender: The most significant gender issue confronting the USAID assistance to Moldova is the substantial debilitating effect created by extensive trafficking in persons. According to the UN Common Country Assessment, December 2000, women represent 68 percent of the unemployed. When they are employed, they average only 70-80 percent of the salary that a man would receive for the same job, despite having similar levels of training.

According to the Moldovan Security Service, between 600,000 and 1,000,000 Moldovan citizens (approximately 25 percent of the population) is working abroad, most illegally. In some villages, approximately half the population has migrated. The May 2002 USAID Anti-trafficking Assessment for Moldova stated, "Some succeed in finding gainful employment ... others, primarily young women, are not as lucky and are lured into forced prostitution, entangled in a web of peril, poverty, exploitation and desperation." The International Organization for Migration (IOM) estimates that approximately 10,000 women a year go abroad in search of work. Although no official statistics exist, IOM estimates that the majority of women who are trafficked come from rural areas. Most are between 15 and 30 years old, but over 10 percent are under the age of 18, some as young as 12.

USAID has recognized this particularly egregious problem and is developing an anti-trafficking activity that will address this through economic empowerment for the most vulnerable groups. USAID will also ensure that this activity provides a synergistic opportunity for all the activities within the portfolio to collaborate and provide complementary resources in support of this initiative.

The Moldova Strategic Plan refers to Strategic Objectives (SOs) 117-0121: Increased Soundness of Fiscal Policies and Fiscal Management Practices and 117-0131: Private Enterprise Growth Creates Jobs and Generates Income, but the Annual Report software and Office of Management US Financing tables will only permit these SOs to be characterized as SOs 117-0120: Fiscal and Financial Reforms Support Market-led Growth and 117-0130: Private Enterprise Growth Creates Jobs and Generates Income. For purposes of this Annual Report, references to SO 117-0120 and 117-0121; and SO 117-0130 and SO 117-0131 are used interchangeably.

GDA Related Progress:

Moldova - Private Farmer Assistance Project (PFAP): USAID continues to assist Moldova's agricultural production and distribution systems to develop a variety of small and medium-size agribusiness

enterprises that link private farmers to newly created input supply structures, credit (aimed at creating a private agriculture infrastructure), and newly established market structures. PFAP is implemented by East-West Management Institute. This activity is providing assistance to help the Moldovan agricultural sector recover and grow. PFAP has completed the agricultural land privatization started under the previous strategic plan with now over 98 percent of agricultural land being privatized. PFAP is concentrating on working with farmers to help build markets and provide other needed technical assistance. The project is focused on agricultural land titling; improving the policy, legal, and regulatory environment; developing rural enterprises (with emphasis on business cooperatives); providing farmers access to input supplies; supporting output-marketing; improving access to financial services; and providing technical training, including legal assistance to property owners. East-West Management Institute's cost-share for this activity is 25 percent. \$5,550,000 was obligated in FY 2002 for PFAP.

Private Farmer Commercialization Project (PFCP): PFCP significantly contributes to agricultural business infrastructure development. It is implemented by Citizens Network for Foreign Affairs Inc. (CNFA). PFCP, the commercial arm of USAID's agricultural efforts, focuses on development of agribusinesses. The project helps assure input supply and output distribution that in turn opens new opportunities and accesses microfinance institutions in the rural area. PFCP is planning to attract \$14,000,000 from both local and foreign partners. \$3,900,000 was obligated in FY 2002 for this activity.

Farmer to Farmer: This is a regional activity. The CNFA is administering a Farmer to Farmer regional activity in Ukraine, Moldova and Belarus. During 2002, CNFA planned to bring 35 volunteers to Moldova to provide on average three weeks of their time, bringing invaluable experience, ability and skills developed in the competitive American agricultural market to private farmers, agricultural cooperatives and agricultural associations. CNFA Moldova conducted 38 volunteer assignments during FY02. There is no FY02 USAID/Kiev funding for this activity.

The Health Partnerships regional activity, implemented by the American International Health Alliance (AIHA), establishes and promotes sustainable health partnerships between the U.S and New Independent States (NIS), which foster more effective and efficient delivery of health services in the West-NIS region. Emphasis has been on the establishing primary care centers throughout Ukraine and Moldova. In FY02, \$300,000 has been obligated for this activity in Moldova. This activity will receive \$1,770,000 in FY03.

Environmental Compliance: Activities that may require a new (amended) Initial Environmental Examination (IEE) or Environmental Assessment (EA) are:

Private Farmers Assistance Program (PFAP);
Private Farmers Commercialization Program (PFCP);
Municipal Network for Energy Efficiency (MUNEE).

The Cooperative Agreements for PFAP and PFCP contain identical language regarding Environmental Review indicating "All activities under this cooperative agreement are subject to the environmental requirements of 22 CFR 216. Activities will not be implemented by the recipient prior to USAID approval of the appropriate level of environmental review called for in 22 CFR 216. The recipient will provide USAID with adequate information to allow USAID to prepare Requests for Categorical Exclusions and Initial Environmental Examinations (IEEs)."

A Programmatic Environmental Assessment was conducted for Moldova and both PFAP and PFCP have utilized the procedures established therein. For PFAP this means the preparation of IEEs for certain USAID-financed grants, and for PFCP this means the preparation of IEEs for each farm store and each agribusiness partnership. These IEEs are submitted to USAID for approval. PFCP has funded an environmental specialist who prepares needed IEEs for both Cooperative Agreements. He also performs the required monitoring.

All energy-sector activities under this SO are in compliance with the environmental requirements of 22 CFR 216. As indicated above, MUNEE may require that an IEE be conducted at demonstration projects in heating sector development/energy efficiency in the third quarter of calendar year 2003. Other

activities focus strictly on the provision of technical assistance and therefore are subject to Categorical Exclusion.

Country Closeout & Graduation:

D. Results Framework

117-0131 Private Enterprise Growth Creates Jobs and Generates Income

SO Level Indicator: Population employed by the private sector

SO Level Indicator: Private sector's contribution to GDP

- IR 1.31.1 Agricultural production and distribution systems improved
- IR 1.31.2 Role of small and medium enterprises in economy expanded
- IR 1.31.3 Targeted strategic industries restructured

Discussion:

117-0230 Local Democratic Institutions More Effective, Responsive and Accountable

SO Level Indicator: Citizen's participation in decision-making in target cities in a) budget process; b) decisions about municipal services or strategic planning

- IR 2.3.1 Local government autonomy strengthened
- IR 2.3.2 Capacity of civil society organizations to represent and serve citizens increased
- IR 2.3.3 Citizens confidence in and respect for the legal system is increased

Discussion:

117-0340 Social Safety Net Reached Vulnerable Groups

SO Level Indicator: Improved system of delivery of targeted social assistance

- IR 3.4.1 System of delivery of targeted social assistance is improved
- IR 3.4.2 Targeted assistance alleviates immediate suffering

Discussion:

Selected Performance Measures - Moldova

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Indicator (all data should pertain to FY or CY 02)	OU Response	Significant Result: Description of the significant result for a strategic objective	Data Quality Factors: Information relevant to the collection of this indicator data, e.g. "this data was not collected last year because it is only collected every five years."
Pillar I: Global Development Alliance			
Did your operating unit achieve a significant result working in alliance with the private sector or NGOs?			
a. How many alliances did you implement in 2002? (list partners)	5		
b. How many alliances do you plan to implement in FY 2003?	4		
What amount of funds has been leveraged by the alliances in relationship to USAID's contribution?			
Pillar II: Economic Growth, Agriculture and Trade			
USAID Objective 1: Critical, private markets expanded and strengthened			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
117-0120 Fiscal and Financial Reforms Support Market-led Growth	No		
117-0130 Private Enterprise Growth Creates Jobs and Generates Income	No		
USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
a. Number of children enrolled in primary schools affected by USAID basic education programs (2002 actual)	Male	Female	Total
b. Number of children enrolled in primary schools affected by USAID basic education programs (2003 target)	Male	Female	Total
USAID Objective 5: World's environment protected by emphasizing policies and practices ensuring environmentally sound and efficient energy use, sustainable urbanization,			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
a. Hectares under Approved Management Plans (2002 actual)			
b. Hectares under Approved Management Plans (2003 target)			
Pillar III: Global Health			
USAID Objective 1: Reducing the number of unintended pregnancies			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			

Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS)	%			
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USAID Objective 2: Reducing infant and child mortality

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	Male	Female	Total	
Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male	Female	Total	
Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male	Female	Total	
Were there any confirmed cases of wild-strain polio transmission in your country?				

USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of births attended by medically-trained personnel (DHS/RHS)	%			
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USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Total condom sales (2002 actual)				
b. Total condom sales (2003 target)				
National HIV Seroprevalence Rates reported annually (Source: National Sentinel Surveillance System)	%			
Number of sex partners in past year (Source: national survey/conducted every 3-5 years)per DHS or other survey)				
Median age at first sex among young men and women (age of sexual debut) ages 15-24 (Source: national survey/conducted every 3-5 years) per DHS or other survey)	Male	Female	Total	
Condom use with last non-regular partner (Source: national survey/conducted every 3-5 years)per DHS or other survey)	%			
Number of Clients provided services at STI clinics				
Number of STI clinics with USAID assistance				

Number of orphans and other vulnerable children receiving care/support				
Number of Orphans and Vulnerable Children programs with USAID assistance				
Number of community initiatives or community organizations receiving support to care for orphans and other vulnerable children				
Number of USAID-supported health facilities offering PMTCT services				
Number of women who attended PMTCT sites for a new pregnancy in the past 12 months				
Number of women with known HIV infection among those seen at PMTCT sites within the past year.				
Number of HIV-positive women attending antenatal clinics receiving a complete course of ARV therapy to prevent MTCT (UNGASS National Programme & Behavior Indicator #4)				
Number of individuals reached by community and home-based care programs in the past 12 months				
Number of USAID-assisted community and home-based care programs				
Number of clients seen at Voluntary Counseling and Testing (VCT) centers				
Number of VCT centers with USAID assistance				
Number of HIV-infected persons receiving Anti-Retroviral (ARV) treatment				
Number of USAID-assisted ARV treatment program				
a. Number of individuals treated in STI programs (2002 actual)	Male	Female	Total	
b. Number of individuals treated in STI programs (2003 target)	Male	Female	Total	
a. Is your operating unit supporting an MTCT program?				
b. Will your operating unit start an MTCT program in 2003?				
a. Number of individuals reached by community and home based care programs (2002 actual)	Male	Female	Total	

b. Number of individuals reached by community and home based care programs (2003 target)	Male	Female	Total	
a. Number of orphans and vulnerable children reached (2002 actual)	Male	Female	Total	
b. Number of orphans and vulnerable children reached (2003 target)	Male	Female	Total	
a. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 actual)	Male	Female	Total	
b. Number of individuals reached by antiretroviral (ARV) treatment programs (2003 target)	Male	Female	Total	

USAID Objective 5: Reducing the threat of infectious diseases of major public health importance

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Number of insecticide impregnated bed-nets sold (Malaria) (2002 actual)				
b. Number of insecticide impregnated bed-nets sold (Malaria) (2003 target)				
a. Proportion of districts implementing the DOTS Tuberculosis strategy (2002 actual)	%			
b. Proportion of districts implementing the DOTS Tuberculosis strategy (2003 target)	%			

Pillar III: Democracy, Conflict and Humanitarian Assistance

USAID Objective 1: Strengthen the rule of law and respect for human rights

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

USAID Objective 2: Encourage credible and competitive political processes

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

117-0230 Local Democratic Institutions More Effective, Responsive and Accountable	No		
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USAID Objective 3: Promote the development of politically active civil society

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

USAID Objective 4: Encourage more transparent and accountable government institutions

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

USAID Objective 5: Mitigate conflict

Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?

Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?

Number of refugees and internally displaced persons assisted by USAID	Male	Female	Total	
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USAID Objective 6: Provide humanitarian relief

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

117-0340 Social Safety Net Reached Vulnerable Groups	No			
Number of beneficiaries				
Crude mortality rates	%			

Child malnutrition rates

Did you provide support to torture survivors this year, even as part of a larger effort?

Number of beneficiaries (adults age 15 and over)

Number of beneficiaries (children under age 15)

%			
Male	Female	Total	
Male	Female	Total	